

## Introduction

Wisconsin has long been a leader in innovative approaches to welfare reform. The state had already begun to initiate a number of changes that were consistent with the new approach to welfare when the Temporary Assistance for Needy Families (TANF) block grant replaced the Aid to Families with Dependent Children (AFDC) program. Wisconsin responded to the greater flexibility offered by TANF with the Wisconsin Works (W-2) program, an approach to cash assistance that was radically different from AFDC, but built on previous welfare innovations in the state. In this volume we report on a variety of aspects of the lives of early W-2 participants and their families. We cannot formally evaluate the *impact* of the full W-2 program, because we do not have a clear counterfactual—that is, we cannot accurately predict what participants’ lives would have been in the absence of W-2. However, we are able to assess a number of measures of economic success and general well-being, and to identify areas in which there is more or less improvement in participants’ lives over the first two years of the program.

As discussed in detail in Volume I of this report, W-2 included a dramatically different approach to child support for welfare participants. The child support component of W-2 required a federal waiver, which was granted with the condition that the state conduct a random assignment evaluation of this part of the program. The W-2 Child Support Demonstration Evaluation (CSDE) effort included random assignment in only one respect: the treatment of child support. No experimental evaluation of the overall W-2 program was implemented. However, the CSDE provided a context within which to collect a variety of data which we use to analyze the experiences of W-2 participants and their families along a number of dimensions. The chapters in this volume include reports on mothers’ economic well-being, including their program participation, employment, and income, with particular emphasis on the receipt of child support. Also discussed are paternity establishment, and, for fathers, child support paid, employment, and relationships with their children. Finally, we also use data from the CSDE as the basis for an analysis of the well-being of children in families participating in W-2.

In this introduction we briefly discuss the structure of W-2, the CSDE, and the data sources on which subsequent analyses are based.<sup>1</sup> We then provide brief summary comments on each of

- Volume I presents the formal results of the CSDE. It includes analyses of the effects of the child support reform on a broad range of outcomes. We find that the full pass-through has direct effects: it increases the amount of child support received, the likelihood of child support being paid, and the rate of paternity establishment. Some secondary effects are also detected, including lower W-2 payments, decreased informal earnings for fathers, more valuable informal transfers, and improved health outcomes for children. These results are achieved at no additional cost to the government.
- In this volume we present a general analysis of outcomes for W-2 participants. Using data collected for the CSDE, we analyze mothers’ employment, earnings, use of government programs, and income and poverty status; fathers’ child support payments, employment, earnings, and relationships with their children; and child well-being.
- Volume III consists of a series of technical reports that provide detailed information on the implementation of the CSDE, as well as on the details of data, methods, and analytic strategy.

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<sup>1</sup>More detail on these topics is found in Volume I (especially Chapters 1 and 3) and in Volume III.

the topical chapters that follow, and conclude with a general assessment of what we have learned about the well-being of W-2 participants and their families.

### **W-2 and the Child Support Demonstration Evaluation**

Critics charged that the AFDC program was expensive, potentially discouraged work and marriage, and was ineffective at reducing high levels of poverty among children living in single-parent families. In 1996, dramatic changes in the public welfare system took place at the federal level with passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). The act replaced AFDC with the TANF block grant, which gives the states considerable freedom in designing their own systems of assistance to low-income families.

In contrast to AFDC, which provided an entitlement to cash assistance with limited work requirements, TANF-funded assistance is generally limited to five years, with recipients required to work within two years. Wisconsin has adopted a work-based model; the philosophy and structure of W-2 emphasize immediate employment. Under W-2, almost all participants are placed in one of four tiers of employment or employment experience: Unsubsidized Jobs, Trial Jobs, Community Service Jobs, or W-2 Transition.<sup>2</sup> The most job-ready applicants are provided case management services to help them find an Unsubsidized Job on the open market or improve their current job status. Trial Jobs provide work experience in jobs for which the state provides a partial subsidy to the employer. Participants in these two upper tiers receive no cash payments from the state (but may receive a variety of ancillary services). Community Service Jobs are public service jobs for which participants receive a monthly W-2 payment of \$673. W-2 Transition is for those least able to work, either because of their own disability or because of the need to care for a child with a disability. W-2 Transition participants receive a monthly W-2 payment of \$628. In addition to these four tiers, the Caretaker of Newborn tier provides, for parents caring for a child younger than 13 weeks, a monthly payment of \$673 and exemption from work requirements. Those in the lower tiers receive the full amount only if they meet the time requirement; otherwise they lose \$5.15 per hour of nonparticipation. Consistent with an approach that tries to replicate the “real world of work,” W-2 is available to all low-income families with children, not merely single-parent families.

Time limits, work requirements, and the lack of an entitlement to cash assistance have made nonwelfare sources of income increasingly essential. In Wisconsin, the relatively stringent work requirements of W-2 have been combined with a uniquely generous approach to child support. Under AFDC, all current child support paid on behalf of welfare recipients in excess of \$50 per month was retained by the government to offset welfare expenses; the money was split between federal and state governments based on the formula for splitting Medicaid costs. TANF allows states substantial flexibility regarding the handling of child support paid on behalf of families receiving assistance. Most states now follow one of two approaches, either retaining all child support paid on behalf of TANF families or continuing to pass through \$50 per month to the resident parent (Cassetty et al., 1999). In Wisconsin, in contrast, implementation of the W-2 program coincided with a dramatic shift in the interface between the private child support system and the provision of public assistance. Under the new policy the full amount

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<sup>2</sup>For a more detailed discussion of W-2 tiers see Volume I, Chapter 1, especially Table I.1.1.

of child support paid is distributed to resident-parent families and does not affect the level of the TANF check they receive.<sup>3</sup>

Wisconsin is unique in selecting a full pass-through. Although the full pass-through is being evaluated with an experimental design, with families randomly assigned to either the full pass-through group or a partial pass-through group, all other aspects of the W-2 program were implemented statewide for all participants. Because of this, we do not have the basis for a more general experimental evaluation of W-2.

## Data Sources and Samples

The analyses in this volume draw on two primary data sources, administrative records and the Survey of Wisconsin Works Families.

### Administrative Data

The administrative data include records merged from three separate data systems. The main administrative database used is CARES (Client Assistance for Re-employment and Economic Support), which contains information on W-2, Food Stamps, Medicaid, and child care subsidies. CARES data include not only whether participants received payments or services, but also such demographic information as birth dates, number of children, family composition, marital status, educational background, and residential location. The second administrative database is KIDS (Kids Information Data System), which contains information on child support orders, payments, past-due amounts (arrearages), the method of payment (wage withholding, tax intercepts), the distribution of the payment (resident parent, state), and demographic information about the parents and children in the case (birth dates, residential location of both parents). The final administrative database we use is the Unemployment Insurance Wage Record Files (UI), which provide information on quarterly earnings for individual covered workers, by employer.<sup>4</sup>

With few exceptions, the analyses of administrative data in this volume use the primary CSDE research samples. For mothers, this includes a sample of 15,977 resident mothers, 73 percent of all W-2 cases headed by a single mother that had entered W-2 by July 8, 1998.<sup>5</sup> Analyses of nonresident fathers generally use the sample of 14,343 legal nonresident fathers at the time the mother first entered W-2. Some chapters use these full samples, whereas others restrict their analyses to those in the experimental group and therefore eligible to receive the full child support pass-through—12,502 resident mothers and 11,241 associated fathers. Analyses that use only the sample receiving the full pass-through are weighted

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<sup>3</sup>Prior to March 1, 2000, child support counted as income in determining eligibility for W-2, but did not count in terms of the level of cash received. It also counted in terms of the level of child care copayment required. Beginning March 1, 2000, child support no longer counted in determining eligibility for W-2 or child care.

<sup>4</sup>“Covered” workers include about 91 percent of Wisconsin workers. Not covered are the self-employed, federal employees, commission sales workers, farmers, church employees, and employees of not-for-profit organizations with fewer than four workers.

<sup>5</sup>The research sample includes cases that received a random assignment code, had entered W-2 by July 8, 1998, were demographically eligible for child support (there was a living nonresident parent), met other sample criteria primarily associated with timely progression in the intake process, and in which the mother was the resident parent. See Volume III, Technical Report 3 for details.

to adjust for differential rates of assignment to this group over time. Technical Reports 3 and 4 in Volume III provide more detail on these samples and weights.

### Survey Data

The second source of data used for this analysis is the Survey of Wisconsin Works Families, a panel study of mothers who participated in W-2 and of the legal fathers of a randomly selected focal child. The survey provides information on participants' experiences with and attitudes about W-2, their knowledge of W-2 rules and of child support policy, child well-being, and family relationships as well as employment, economic resources, and individual and household characteristics. We collected data in two waves; the first period of data collection measures families' experiences during 1998—the first year that the W-2 program was in place—and the second period focuses on 1999. Interviews were completed with 82 percent of mothers and 33 percent of fathers in each wave.<sup>6</sup> Although the response rates for the fathers' surveys are lower than those generally reported by surveys of the general population, they compare favorably with other studies of separated families.

Data from the survey are weighted to adjust for the stratification of the sample by W-2 status (“transitioned from AFDC” and “new” cases) and by initial assignment to upper/lower W-2 tier.<sup>7</sup> As with the administrative data, survey analyses were weighted to adjust for differential rates of assignment to control and experimental status over the period during which the research population was developed (September 1, 1997, to July 8, 1998). Finally, the survey weights also include adjustments for nonresponse bias. The high response rate among mothers raises less serious concerns about nonresponse bias than exists for fathers, but the data underrepresent some subgroups of the mothers' population. More detail on these topics is provided in Volume III (see especially Technical Report 5 for a general discussion of the survey, Technical Report 6 for the nonresponse analysis, and Technical Reports 4 and 5 for weighting procedures).

### **Summary**

#### Implementation of W-2

In Chapter 1, Kaplan and Corbett provide information about the implementation of W-2. They describe the context of W-2, the agencies that administer the program, and the characteristics, opinions, and practices of case managers. They find substantial differences between the way W-2 is operated in Milwaukee and the rest of the state. They also consider program participants' assessments of W-2. Most mothers do not report much enthusiasm for the W-2 program. For example, nearly half strongly disagreed with the statement, “W-2 helped me get a job or a better job” and only 60 percent agreed that “W-2 is generally on the right track in the way it tries to help people get off welfare.” Despite participants' negative evaluation of W-2, they had praise for their workers: almost three-quarters agreed that “My W-2 caseworker treats me with dignity and respect.”

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<sup>6</sup>Completion rates for fathers in the random subsample eligible for both telephone and in-person interviews were higher—43 and 46 percent at Time 1 and Time 2, respectively.

<sup>7</sup>The weights were revised during analysis; the analyses in this volume use the original weights. See Volume III, Technical Report 4 for a description of the original and revised weights.

### Findings on Child Support

The next two chapters examine child support outcomes for W-2 participants. In Chapter 2, Bartfeld and Meyer analyze child support payments and receipts. They find that child support receipt is more common among W-2 participants than the best available comparison groups nationwide; it is received by between 39 and 47 percent of W-2 mothers. Even though fewer than half the mothers receive support, those who do receive something receive an average of over \$1,500 in the first year and over \$1,750 in the second, a substantial addition to their income. Bartfeld and Meyer also examine payments from the fathers' perspectives, focusing on fathers who owe support. More than one-third of these fathers did not pay any support in the first or second year after W-2 entry, and only about one-quarter paid their obligation in full. About two-thirds of those not paying have no recorded formal earnings. Among the nonpayers who have formal earnings, child support orders are a high burden: the majority owe more than 35 percent of their earnings in current support. Moreover, nearly all of those not paying after their children entered W-2 already had substantial debts to the state for previous nonpayment. For fathers with employment, few factors, other than ability to pay, are associated with payment in full, perhaps because payments are routinized for those who are employed. For fathers without employment, other factors come into play, perhaps because these fathers have more control over the amount they pay. These findings suggest that remaining problems of nonpayment may not be addressed by policies that focus solely on enforcement tools linked to formal employment, because many nonpaying fathers are not linked to the employment system.

In Chapter 3 Bartfeld and Sandefur examine the multistep process that leads to the receipt of child support, beginning with the establishment of paternity (for nonmarital children), then the setting of a child support order, and finally the collection of the amount due. Many children drop out at each of these stages: when children enter W-2, just over half have legal fathers, fewer than 40 percent are covered by support orders, and only 14 percent actually have support paid on their behalf. Bartfeld and Sandefur then focus on the first two steps of the process, paternity establishment and child support orders. They find that those who have longer AFDC histories are more likely to have paternity established and have an order, suggesting that the requirement that mothers who are receiving assistance cooperate with the child support office may be having an effect. Nonetheless, even two years after W-2 entry, more than half the W-2 children are still either without a legal father or without a child support order. One of the key contributions of the chapter is to point out that statistics and program outcomes that focus on mothers provide a more optimistic picture than if we were to focus on children, since many mothers have success in establishing paternity and securing orders or even payments for one but not for all of their children.

### Findings for Mothers Who Participate in W-2

The next three chapters of this volume analyze mothers, considering their patterns of program participation and employment, and the implications of these patterns for income and poverty status. In Chapter 4 Cancian and Meyer discuss receipt of W-2 cash payments and participation in related programs. They show dramatic declines in use of cash payments over the first 24 months after entering W-2. For example, at entry over 80 percent of mothers received cash payments, but in the twelfth month only a third received any cash. The authors also find that multiple program participation is quite common: in the second year after entry, when most women had left W-2 cash assistance, the vast majority continued to receive Food Stamps, Medicaid, or both programs. Chapter 4 also documents participants' movements up and down the W-2 self-sufficiency ladder; most women did not make use of all the "steps" on the ladder, but movements down the ladder were relatively uncommon. As the authors note, W-2 provides an especially interesting case study because the explicit self-sufficiency ladder

structure makes it possible to analyze a variety of measures of progress beyond simply the receipt of cash payments.

In Chapter 5, Cancian and Haveman explore the patterns of labor market performance among women who are participants in the W-2 program. In part because of the substantial caseload reductions that preceded the implementation of W-2, they find that many of the women in the sample had low levels of education, substantial family responsibilities, and a history of reliance on welfare. Notwithstanding these barriers, Cancian and Haveman document substantial growth in employment and earnings over the short period considered. From 1998 to 1999, the intensity of labor force participation increased, and median wages grew from about \$7.00 per hour to about \$7.75 per hour. Over the same period, average earnings among those who worked increased from about \$5,600 per year to \$7,750 per year (median earnings from about \$4,150 to \$6,150). The authors argue that these are substantial increases recorded over a single year of observation. Nonetheless they suggest that few W-2 participants had earnings sufficient to raise their families out of poverty. Even if the observed rates of growth were to continue, many mothers would have to rely on additional income sources if they were to provide for themselves and their children.

Chapter 6 brings together findings from previous chapters and considers the implications of child support, W-2 and related programs, and employment and earnings for mothers' total income and economic well-being. Cancian and Meyer report on three measures of the economic well-being of mothers who received W-2: personal income, family income, and economic hardship. They consider a measure of personal income that includes the sum of administrative records of cash payments, food stamps, earnings, and child support. This measure shows low levels of personal income, about \$10,000 per year. Notably, the authors find no overall growth in personal income between 1998 and 1999, because large increases in earnings and small increases in child support are offset by large declines in W-2 and small declines in food stamps. A survey-based measure of family income provides a somewhat more optimistic story. Although levels remain low and poverty rates high, the trend is positive. Mean family income rises from \$12,100 to \$14,800 (median from \$10,800 to \$12,400), and the poverty rate falls from 77 percent to 67 percent from 1998 to 1999. Finally, measures of hardship suggest fairly high levels: about one-sixth of families have a food hardship, one-third a shelter hardship, and one-half a telephone hardship. There is some evidence that the level of hardship declines between the two years, but any declines are small and in most cases are not statistically significant.

### Findings for Nonresident Fathers

Two chapters in this volume focus specifically on the experiences of fathers of children whose mothers participate in W-2. In Chapter 7, Cancian and Haveman describe several aspects of nonresident fathers' labor market outcomes. The results suggest the challenges that most fathers will face in meeting the expectation that they help support their children. According to administrative records, only about 60 percent of fathers are employed, and even among those with earnings the levels are quite low—average earnings of about \$12,000 and median earnings of about \$9,000. Findings from the survey suggest that levels of employment are somewhat higher, and that most fathers work close to full time when they are working. However, the survey results also suggest that many fathers who work at some time during the year do not work for the full year. Moreover, few earn high wages. Cancian and Haveman compare measures derived from survey and administrative data sources and note the difficulty of measuring outcomes given important data limitations.

In Chapter 8, Seltzer and Schaeffer describe nonresident fathers' social and economic participation in their children's lives. Although the children in the great majority of the families in our sample lived with their mother alone, a minority lived with their mother and father together for part of

the year. Roughly two-fifths of mothers reported intense conflict with the children's father about some aspect of child rearing—a higher proportion than found in a national sample of resident mothers, perhaps as a result of the greater economic strain the W-2 families experience.

The survey data show that about half of resident mothers received some type of informal transfer, but that for most families the financial value of the transfers was less than \$500 a year. Informal transfers were more common among families in which the mother received formal child support and when the nonresident father saw the child. It was uncommon for fathers who did not spend time with their children to pay formal child support, and extremely uncommon for those who did not spend time with children to provide informal transfers of any type. About a quarter of fathers neither spent time with children nor invested in them financially, either through formal child support payments or informal contributions. But on the other end of the continuum of paternal involvement, about the same percentage contributed to children by spending time with them, paying formal support, and making informal contributions.

### Child Well-Being

In Chapter 9, Reynolds and Wolfe investigate the health and educational status of children of W-2 participants, and explore factors that may enhance children's well-being. Using survey reports by the resident parents, the authors find that these children have lower health status and school performance than children nationally. A sizable percentage of the children had fair/poor health status even though the proportion uninsured was higher than that found nationally. The children's school performance, as indicated by GPA, absences, and receipt of special education services, was also for the most part below that of children nationally.

Findings concerning several intervening factors related to the status of children correspond to what would be expected for many low-income families. More than 4 in 5 families received a child care subsidy in 1998 and participated in the Medicaid program. In addition, the frequency of positive parenting practices reported by resident mothers was generally lower than that reported in national samples. For example, 2 in 5 parents reported attending at least one school PTA meeting during the year and one-half read to their children every day. Among the factors that were associated with positive health status was the parent's educational attainment and private health insurance coverage (only for young children). In children's school performance, residential location and parent educational attainment were the most consistent influences on GPA, absences, and special education placement. Residence in Milwaukee was associated with lower average grade point averages and lower rates of special education placement. For young children ages 0 to 5, positive parenting practices and contact with the nonresident parent were associated with greater resident-parent satisfaction with child care arrangements.

### **Conclusions**

The chapters in this volume use administrative and survey data collected for the CSDE to analyze a broad range of outcomes for W-2 participants, their children, and the fathers of their children. While the child support component of W-2 was implemented as a random assignment experiment, the remaining aspects of the program were universally implemented. Thus, the analyses in this volume cannot formally evaluate the *impact* of the full W-2 program, since we cannot accurately predict what outcomes would have been in the absence of the program. Nonetheless, we are able to report a number of measures of well-being, and to identify areas in which there is more or less improvement in participants' lives over the first two years of the program.

The results confirm that in many ways the first years of W-2 have been a period of dramatic change. Receipt of cash assistance has declined sharply, at the same time that employment rates have

grown. Not only are more women working, and working more hours, but hourly wages appear to be growing significantly—an especially encouraging outcome given the relatively low skills of many of the women who continued to rely on cash assistance at the time W-2 was introduced. Child support outcomes also improved substantially over the two years following W-2 entry. Paternity establishment rates more than doubled among those new to the welfare system, and the proportion of all mothers receiving any support increased from 24 percent in the first quarter after entry to 37 percent two years later.

However, while W-2 implementation has coincided with a substantial shift from cash welfare to work, most former participants are not self-sufficient, and most do not have incomes sufficient to raise their families out of poverty. The increase in earnings, and the more modest increase in child support received, have largely been offset by declining cash payments. While there are some signs of increased earnings among nonresident fathers, the vast majority appear to have low incomes and limited means to support themselves and their children. There are other signs that these families continue to face difficult challenges, including high levels of parental conflict, difficulties in meeting basic needs, and substantial proportions of children with special health or educational needs.

The analysis presented in this volume represents an initial effort to take advantage of the information gathered in the course of the CSDE to assess the outcomes of W-2 recipients. Much work remains to be done, and many of the key issues will not be resolved until the long-term implications of the policy changes can be measured. Nonetheless, our findings suggest the importance of comprehensive monitoring of welfare outcomes, even when an impact evaluation is not feasible. They add to a growing body of research analyzing the outcomes of state welfare reforms. In considering potential policy changes, for example as part of the upcoming TANF reauthorization debates, it will be important to understand the ways in which Wisconsin's work-focused approach has been successful. It will be critical to take a broad view and move beyond simple measures of mothers' payment receipt and earnings. The chapters that follow provide an initial portrait of the lives of women who have participated in W-2, the educational and health status of their children, and the social and economic contributions of nonresident fathers.